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GARY J. WESTON
Executive Director

April 16, 1999

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Ms. Magalie Roman Salas
Office of the Secretary
Federal Communication Commission
445 Twelfth St SW Room TW-A 325
Washington, D.C. 20554

RE: SBC Communications Inc. and Ameritech Corporation
(CC Dkt. No 98-141)

Dear Ms. Salas:

The letter I sent to you regarding the SBC/Ameritech merger on April 15, 1999 was missing the second page. Please substitute this complete version of the letter for that incomplete one.

I have not re-sent the 2 exhibits that were attached to the original letter. Sorry for the inconvenience.

Yours,

Ellis Jacobs
Attorney for Edgemont Neighborhood Coalition

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RE: SBC Communications Inc. and Ameritech Corporation
(CC Dkt. No 98-141)

Dear Ms. Salas:

In response to Chairman Kennard's letter of April 1, 1999 the Edgemont Neighborhood Coalition (Edgemont) files these comments.

Edgemont is a low income African-American neighborhood in Dayton, Ohio. The Edgemont Coalition has, for a number of years, attempted to ensure that low income communities, like Edgemont, benefit from the changes brought about by the Telecommunications Act of 1996. Edgemont previously filed comments with the FCC on the SBC/Ameritech merger and participated in the SBC/Ameritech merger approval case before the Public Utilities Commission of Ohio (PUCO). Edgemont was one of the parties which signed a stipulation (February 23, 1999, attached) which became the basis of the April 8, 1999 PUCO order approving the merger in Ohio.

Edgemont has had concerns about the impact the proposed merger of SBC and Ameritech will have on low income communities. The settlement which Edgemont signed with the joint applicants partially addresses a number of our concerns. Taken as a whole, Edgemont felt and still feels that the agreement in Ohio warranted our support, nonetheless, there is more that the FCC could do to address our concerns.

1. Edgemont is concerned that the merger will exacerbate the digital divide.

There are two dynamics at work here. On the one hand, a larger company with a greater geographic reach, more competitive activities and a greater distance between the headquarters and underserved communities, is likely to be less focused on and less responsive to the needs of low income communities for access to advanced telecommunications technology. On the other hand, to the extent the merger is successful in promoting reliance on broadband infrastructure and advanced services, those who are left behind will be at an even greater disadvantage when it comes to economic opportunity, civic involvement and access to basic social services. As the FCC knows, the recent NTIA report, Falling Through the Net II, shows that the digital divide actually grew between 1994 and 1997. Unaided, the market is plainly not addressing this problem.

The merger settlement in Ohio attempts to mitigate the digital divide in two ways. First, it creates a Community Technology Fund to fund technology access projects in low income communities. While the details of the Ohio fund have yet to be fleshed out, the design is modeled on the fund agreed to as part of the SBC/Pacific Telesis merger. Seven hundred fifty thousand ($750,000) dollars a year for three years has been committed to this fund. Stip. at 19.

Second, a total of one million dollars is allocated to support existing and to create new community computer centers in low income communities in the State. Those centers provide hands-on access to computers and telecommunications along with workshops and tutoring, in neighborhoods that otherwise would have no such access. Stip. at 20.

Both of these commitments are important steps in the right direction. Unfortunately, the funds that are allocated can only scratch the surface of the problem. The community computer center funding, for example, is only sufficient to provide three years of barebones funding to six centers.

Proposed Condition: Edgemont recommends that the FCC condition any merger upon SBC/Ameritech providing substantial funding to technology access programs like those described above.

2. Edgemont is concerned that the combined company will delay providing broadband infrastructure to low income communities.

As we learned in the Ohio merger case, ILEC infrastructure investment is targeted to areas of high growth, which in Ohio is in the outer suburbs. This, combined with the fact that competitors will initially target those very same areas which in turn will draw further ILEC attention, gives rise to our concern that the inner city and low income rural areas will be the last to receive important broadband infrastructure. Indeed, Ameritech is conducting its pilot of ADSL technology in Wheaton, Illinois, an affluent, virtually all white suburb of Chicago. It is there that Ameritech is learning what customers want from a broadband service, how that service can be marketed and how it can be priced.

The merger agreement in Ohio addresses this concern by requiring that for five years after the merger, at least 10% of the central offices receiving ADSL or ADSL type services must be offices in large urban areas with relatively large numbers of low income households (approximately 10% of the central offices in Ohio fit this description). Stip. at 15.

This commitment is significant but could be strengthened by the inclusion of low income rural central offices, by applying the commitment to all broadband technologies, and by keeping it in place for longer than five years.

In fact, in Edgemont's estimation an even more effective way of ensuring that the benefits of broadband technologies are made widely and equitably available would be by requiring that any time a broadband service is made available to any customer in a defined area, it must be made available to all customers in that area within a reasonable time period. The "defined areas" would be drawn so that each included high growth and wealthy areas, along with low income and low growth areas.

Proposed Condition: The FCC should seek an anti-redlining commitment, like those described above, from the joint applicants in this case.

3. Edgemont is concerned that a combined company will not actively work to increase telephone penetration.

Low income communities in Ohio and elsewhere still have alarmingly low rates of telephone penetration. An even larger, further distant company with ever greater competitive opportunities will not, on its own, pay needed attention to its least profitable potential customers. Edgemont's experience with Ameritech bears this out. In 1995 Ameritech Ohio committed to operate an expanded lifeline program, the Universal Service Assistance Program (USA). Unfortunately Ameritech exhibited a distinct lack of zeal in implementing the program. The company's performance was so bad that Edgemont and other consumer parties had to file a Motion to Show Cause why the company should not be found in violation for failing to implement the USA program. The Commission found merit in that Motion and on December 30, 1998 ordered Ameritech to undertake a variety of actions to improve the program.

In the course of litigating this motion, Edgemont learned that Ameritech Ohio was loath to spend money to adequately staff or publicize the USA program. On the few occasions, however, when Ameritech officials in Ohio recommended spending money on the program, they were overruled by the corporate offices in Chicago. Chicago, not surprisingly, was less sensitive to the needs of low income communities in Ohio than Cleveland had been. It is likely that the merged company, headquartered in San Antonio will be even less responsive.

Edgemont's experience with the USA program also taught us a lot about what it takes to operate an effective lifeline program. There are a number of steps the merged company could take to increase subscribership levels.

Proposed Conditions:

A. The FCC should seek a commitment from the joint applicants to offer a robust lifeline/link-up type program. Such a program would expand upon the Federal programs and, at a minimum,

i. offer a subsidy greater than what is currently mandated,

ii extend eligibility to the working poor with incomes up to 150% of poverty,

iii. be well publicized in the communities where it is needed,

iv. provide for automatic enrollment of categorically eligible people as is done in New York State,

v. have sufficient well trained staff to promptly handle all inquires about the program and to expeditiously enroll people in it and,

vi. have the goal of increasing the level of telephone subscribership in presently underserved communities to the penetration level for the state as a whole.

B. The company should cease the disconnection of basic local service of any residential customer where that customer fails to pay for long distance or other services. Pennsylvania has had such a policy for a number of years and many attribute that state's high level of telephone penetration to that policy.

C. The merged company should create a universal service equal access fund that (a) provides an incentive for the company to increase telephone penetration among low income households and (b) provides funds for other entities, including competitors, to act to increase telephone penetration to the extent the merged company is ineffective in doing so. The fund would be paid into by the merged company according to a formula based upon the disparity between telephone penetration among low income Ohioans and the general Ohio population.

In order to provide maximum incentive, the company should have a one year, ramp-up period during which it does not pay into the fund. At the end of this period the initial determination would be made of the penetration rate disparity. The company's contribution would change each year based upon recalculation of the penetration rate disparity. This fund is described in detail in the attached testimony of Roger Colton (R. Colton at 31) which was filed in the Ohio merger case by Edgemont.

D. The merged company should create a mechanism to ensure that its performance in the areas which support the ability of at-risk households to keep telephone service do not degrade. A benchmark would be arrived at for each of five indicators for the past year and compared to performance in the areas in each of the years after the merger. The indicators rely on existing data to measure termination rates, money at risk, deferred payment agreement success, weighted arrears, and percent of customers in debt. Degraded performance on an aggregated index of those indicators, would result in a penalty being assessed. If there are four consecutive years without degradation the mechanism would dissolve. This proposal is also more fully described in the testimony of Roger Colton (R. Colton at 40).

E. The merged company should commit to not hard-sell extra features or "packages" to residential customers. Specific practices should be listed and made off limits.

All of the commitments recommended above need to be specific and concrete with clear timetables and significant penalties if they are not properly implemented. Progress reports and supporting data should be provided to parties filing comments in this proceeding and those parties should be given the right to trigger a compliance review and enforcement action.

In conclusion, Edgemont appreciates the opportunity to file these comments. We would welcome the opportunity to discuss these ideas with you further. Please do not hesitate to call me at (937) 228-8088, ext. 111 if you have any questions.

Yours,

Ellis Jacobs

Ellis Jacobs
Counsel for the Edgemont Neighborhood Coalition

cc: Thomas Krattenmaker, Director of Research
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